

The Treasury Note



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CALIFORNIA'S ECONOMY CONTINUES TO GROW

The Anderson Graduate School of Management at UCLA presented its business forecast at their 45th annual conference held last month. According to Tim Lieser, economist from the UCLA Business Forecasting Project, California is expected to have a healthy and diversified economy. For the next three years, they see the nation's economy to grow at a moderate pace. Real Gross Domestic Product (GDP) is expected to grow 2.5% in 1997, and inflation will remain low. The economists see California's economy growing faster than the U.S. in job creation during the next three years. Non-farm employment is expected to grow by 396,000 in 1997, 302,000 in 1998 and 253,000 in 1999. Construction employment is expected to regain its pre-recession level by 1999. The forecast also predicts that service industries will account for most of the job creation in California during the next three years. The upward trend in real personal income is also expected to continue for the next three years, with growth rates of 3.2%, 2.9% and 2.6%. The unemployment rate gap between the U.S. and California is closing and California's unemployment rate is expected to be below 6% by 1998.

FROM THE BUDGET FRONT

As of our publication deadline, the State Department of Finance is putting the "final touches" on the Governor's proposed 1997-98 fiscal year budget. This new budget is due to the Legislature by January 10, 1997. Along with the new budget will be an update of the 1996-97 fiscal year budget. Information on the new budget will be in the next issue of *The Treasury Note*.

TREASURER SELLS STATE UNIVERSITY BONDS

The Treasurer sold two bond issues worth \$16.17 million for two California State Universities on December 10. One sale was for \$9,590,000 in refunding revenue bonds for the California State University, Fullerton campus. The refunding saved CSU, Fullerton \$409,000 by lowering interest payments. The refunding bonds were awarded to Merrill Lynch & Co. at a true interest cost of 5.451 percent.

The second sale was for \$6,580,000 of revenue bonds to fund the construction of a student union at the California State University, Los Angeles campus. The project will (1) add 6,500 gross square feet to the existing student union, (2) provide a program and event center as well as food service areas and informal study areas, and (3) renovate 2,200 square feet outside the student union for an informal gathering space and free speech area. The bonds were awarded to Smith Barney Inc. at a true interest cost of 5.6122 percent.



State Treasurer Matt Fong
Investor Relations Program
P.O. Box 942809, Sacramento, CA 94209-0001

Phone (916) 653-3243
Fax (916) 657-4827
<http://www.treasurer.ca.gov>